

The PRESIDING OFFICER. The gallery is reminding not to display any approval or disapproval of remarks on the floor.

Mr. FORD. Mr. President, I have a longtime habit that is hard to break and it is opposed to the rules of the Senate. I should not refer to another Senator as "you." It was not any disrespect at all. So in referring to the two Senators, one, I think, from Oklahoma, the other from Pennsylvania, by using the word "you" I hope that it will not be taken as an affront in any way because I did not mean it that way. I will look at the RECORD and see if I cannot straighten it out by unanimous consent.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FORD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The bill clerk proceeded to call the roll.

Mr. KYL. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KYL. Mr. President, I ask unanimous consent I be allowed to address the Senate in morning business.

The PRESIDING OFFICER. The Senator is recognized for up to 15 minutes.

UNFUNDED MANDATES

Mr. KYL. Mr. President, the debate we are engaged in, and have been for 8 days now, is important not only because the American people are tired of the Federal Government telling them what to do—and, in the case of State and local governments and tribal governments, having the additional burden of then having to pay for those Federal mandates. It is important, therefore, not only because the unfunded mandates legislation would put a stop to that in the future and say that from now on the Federal Government is going to have to identify the cost of mandates on the private sector and is going to have to pay for the mandates it imposes on the public sector—it is important not only for that reason, but it is also important because when we pass the balanced budget amendment and send that to the States for their ratification, the State legislatures and the Governors are going to be considering whether or not to ratify that amendment. One of the concerns that they are going to have is that the Federal Government might attempt to achieve its requirement of meeting a balanced budget by simply foisting the costs onto the State and local governments and tribal governments.

I would add as a footnote that in my State of Arizona the business of tribal governments is significant, and they have to bear the burden of some of these mandates. So they are all concerned about this.

In the case of the people in the State legislature, they suggested to me that if we want the balanced budget amendment to be ratified by the State legislatures, we had better make it very clear that the Federal Government is not going to attempt to achieve that balance by laying all of these mandates on State and local governments. We might have done that in the case of the health care legislation that, I think fortunately, was killed last year. One of my friends back in Arizona called it "justifiable homicide." I am delighted we did not pass the kind of bill that was originally proposed because it would have created a huge mandate on the private sector. In fact, it was called employer mandates. And employers would have been required to pay substantial amounts of money. In some cases I believe there were situations where they really could not afford it, which is the reason they do not provide that health care today. So both for the public and private sectors it is important that the Government not impose these mandates. But as I said, it is important not only in its own right but because of the connection to the balanced budget amount.

BALANCED BUDGET AMENDMENT

Mr. KYL. Mr. President, I would like to turn for a moment to the subject of a balanced budget amendment in this overall context that we are debating unfunded mandates, and soon we will be debating the balanced budget amendment because the Joint Economic Committee held a hearing this morning and took testimony from both House and Senate Members on their proposals for achieving this goal.

When we talk about the Federal Government achieving a balanced budget without passing the costs on to the State and local governments in the form of unfunded mandates, the question of course, arises, how are we going to do it? In fact, some people, some Members of the Senate, have challenged those of us who support a balanced budget amendment as to how it is going to be done. They say be specific. Of course, we have said, "You say we don't need a balanced budget to achieve balance. So why don't you tell us how you would do it? Why don't you be specific? You have had 40 years in the case of the House of Representatives and you have not gotten the job done. Give us a chance and we will do it."

First, we want to establish the discipline that requires us to do it. Assume we had passed the balanced budget amendment in the House and it is the version that did not pass but almost passed the House of Representatives and, we believe, has the votes to pass in the Senate now and will pass the House of Representatives. That merely requires that the Federal Government balance its budget. What then? We know that there are people in both the House and Senate who propose

that we also limit taxes. I am for a three-fifths vote to raise taxes. That would put an additional constraint on the House and Senate and would make it more difficult for us to try to achieve a balanced budget by raising taxes. The fact is that has never worked.

In March of 1993, W. Kirk Hauser wrote an article, an op-ed piece, in the Wall Street Journal in which he noted that over the last 30 or 40 years revenues to the Federal Treasury have been almost static at about 19 percent of the gross national product or 19.5 percent of the gross domestic product. It has ranged very little, and it does not matter whether we try to raise taxes or lower taxes or whether we have a Democrat President or a Republican President or we were in war or good times or bad times. None of that mattered. Over a few weeks revenues would fluctuate a little bit. But very soon they would stabilize at 19.5 percent of the GDP.

In fact, when we tried to raise tax rates in order to bring in more revenue, for a very short period of time more revenue came in. Then, as people changed their behavior, it settled right back into 19 percent of GNP. When we lowered tax rates momentarily there was a reduction in revenues. But very quickly the increased economic activity that resulted from those lower rates resulted in more taxes to the Federal Treasury even though at a lower rate.

How could that be? It is like a store that has a sale. When you reduce the prices you do not necessarily reduce income. You bring more people into the store. You sell more goods, and you can make more money than if you price the goods at a very high price. It is the same thing with revenues to the Treasury.

So we reduced tax rates. We have not reduced revenues to the Treasury. They have stabilized at 19 percent of the gross national product.

The lesson to be learned from this is this: People change their behavior based upon governmental actions. You cannot expect people to just sit there and take it when the Government does things to them. The result is that if we limited spending to 19 percent of the gross national product we would be limiting spending to the historic level that the American people have been willing to pay in the form of Federal tax revenues. We would also be balancing the budget because our spending would be the same as our revenues. That is what a balanced budget is all about.

The other advantages to this kind of approach—and I have to confess that the very first bill that I introduced as a Member of the House of Representatives was a Federal spending limit as the way to balance the budget and it was also the very first bill that I introduced here in the U.S. Senate; a bill that would require a balanced budget and achieve that by limiting spending